

## Message Text

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ACTION EB-11

INFO OCT-01 EUR-25 EA-11 ISO-00 SSO-00 NSCE-00 USIE-00

INRE-00 PA-04 PRS-01 AEC-11 AID-20 CEA-02 CIAE-00

CIEP-02 COME-00 DODE-00 FEAE-00 FPC-01 H-03 INR-10

INT-08 L-03 NSAE-00 NSC-07 OMB-01 PM-07 RSC-01 SAM-01

SCI-06 SP-03 SS-20 STR-08 TRSE-00 ARA-16 DRC-01 /184 W

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O P 061708Z JUN 74

FM AMEMBASSY BRUSSELS

TO SECSTATE WASHDC IMMEDIATE 1013

INFO AMEMBASSY BONN PRIORITY

AMEMBASSY ROME PRIORITY

AMEMBASSY COPENHAGEN PRIORITY

AMEMBASSY DUBLIN PRIORITY

AMEMBASSY THE HAGE PRIORITY

AMEMBASSY OSLO PRIORITY

AMEMBASSY LONDON PRIORITY

AMEMBASSY LUXEMBOURG PRIORITY

AMEMBASSY OTTAWA PRIORITY

AMEMBASSY TOKYO PRIORITY

AMEMBASSY PARIS PRIORITY

USMISSION EC BRUSSELS

USMISSION OECD PARIS

C O N F I D E N T I A L SECTION 01 OF 02 BRUSSELS 3854

E.O. 11652: GDS

TAGS: ENRG, BE

SUBJECT: COORDINATED CONSUMER ACTION TO AVOID ANOTHER  
OIL PRICE INCREASE

REF: STATE 117824

1. SUMMARY: AT SUGGESTION OF ECG CHAIRMAN DAVIGNON,  
LOCAL REPS OF ECG COUNTRIES MET IN BRUSSELS ON JUNE 5 TO  
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CONSIDER CHAIRMAN'S PROPOSAL THAT ECG MEMBERS INDIVIDUALLY

MAKE BILATERAL APPROACHES TO OPEC MEMBERS IN EFFORT TO FORESTALL FURTHER CRUDE PRICE RISES. APPROACHES WOULD BE PROMPTED BY RUMORED OPEC MOVE TO INCREASE TAX BITE ON CRUDE PETROLEUM AT QUITO MEETING JUNE 15. ALL PRESENT AGREED WITH DAVIGNON'S ANALYSIS OF SITUATION INSOFAR AS GRAVITY OF THREAT TO CONSUMING COUNTRIES' ECONOMIES AND (EXCEPT FOR IRELAND) TO ERRONEOUS THEORETICAL BASE OF OPEC SECRETARIAT CASE. DIFFERENCES OF OPINION WERE APPARENT, HOWEVER, AS TO VALUE AND TIMING OF BILATERAL DIPLOMATIC CONTACTS BY ECG MEMBERS SOME FEARING "CONFRONTATION" WITH ARABS. IN END, BELGIUM, UK, AND US DECLARED FIRM INTENTION TO PROCEED WITH APPROACHES TO CERTAIN OF THE OPEC PRODUCERS (US TO SAUDIS) WHILE OTHERS INDICATED VARYING DEGREES OF ENTHUSIASM. IDEA WAS FLOATED THAT US-SAUDI TALKS SCHEDULED THIS WEEK IN WASHINGTON BE CONSIDERED AS TRIGGER (IF TALKS PRODUCTIVE) FOR ACTION BY OTHER ECG COUNTRIES. DAVIGNON STEPPED ON THIS IDEA, BUT IT CLEARLY HELD ATTRACTION FOR SOME REPS PRESENT. GROUP AGREED TO RECONVENE MORNING OF JUNE 10, TO CONSIDER MATTER FURTHER IN EXPECTATION THAT INFORMATION WOULD BY THEN BE AVAILABLE ON USG TALKS WITH SAUDI ARABIANS. ACTION REQUESTED: REPORT BY OPENING BUSINESS JUNE 10 OF US-SAUDI TALKS FOR INFORMATION OF DAVIGNON AND ECG REPS BRUSSELS. (SEE PARA 11). END SUMMARY.

2. DAVIGNON CHAIRED JUNE 5 INFORMAL MEETING TO DISCUSS HIS PROPOSAL FOR INDIVIDUAL ECG COUNTRY ACTION IN FACE OF RUMORED OPEC INTENTION TO INCREASE TAXES ON EQUITY CRUDE, BY GIVING REPORT ON MAY 31 PREPCOM MEETING. (MANY PARTICIPANTS AT THIS MEETING HAD NOT BEEN PRESENT ON MAY 31. MOST HAD RECEIVED ONLY SEVERAL HOURS NOTICE OF MEETING AND SEVERAL CLEARLY HAD ONLY GENERAL INSTRUCTIONS.) HE MADE TWO MAJOR POINTS AFTER REVIEWING DETAILS OF HIS PROPOSAL: (A) NEED FOR CONSUMERS TO RESPOND TO ADVANCE PUBLIC WARNING OF OPEC TAX INCREASE; (B) CONSUMING COUNTRIES SHOULD EMPHASIZE THAT THEIR CONCERN IS FOR CONSUMING PUBLIC, NOT COMPANIES.

3. DAVIGNON THEN ASKED FOR COMMENTS. USG (CHARGE)  
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PRESENTED ORALLY U.S. VIEWS AS INSTRUCTED IN PARA 2 REFTEL.  
OTHER COUNTRIES FOLLOWED:

(A) UK: CONCERNED ABOUT POSSIBLE OPEC DECISION IN QUITO AND PREPARED TO LOBBY WITH PRODUCERS, PREFERABLY NOT ALONE. UK EXPERTS HAVE GONE OVER INDUSTRY STATISTICS AND ARE CONVINCED THAT OPEC CHARGES OF EXCESSIVE PROFITS FROM CURRENT PRICING NOT JUSTIFIED. IN BRITISH VIEW CURRENT HIGH PROFITS ARE ONE-TIME EVENT LARGELY DUE TO RE-

EVALUATION OF STOCKS AND CURRENCY CHANGES. UK CONCLUDES THAT ANY INCREASE IN TAX LEVIED BY PRODUCING COUNTRIES MUST BE PASSED ON DIRECTLY TO CONSUMERS. UK CONCERNED THAT CONSUMING NATIONS' APPROACH TO OPEC ON THIS MATTER NOT BE SEEN AS DEFENSE OF COMPANIES, AS CONFRONTATION POLITICS WITH PRODUCERS, OR AS INITIATING CONSUMER-PRODUCER DIALOGUE ON OIL COMPANY PRICING. DESPITE THESE WORRIES, UK RECOMMENDS EARLY AND NUMEROUS APPROACHES BY ECG MEMBERS. IT PLANS TALK WITH IRAN AND NIGERIA PARTICULARLY.

B. ITALY: EXPRESSED CONCERN FOR EFFECTS OF POTENTIAL PRICE RISE, BUT NOT COMPLETELY CONVINCED OF APPROPRIATENESS OF CONSUMER APPROACHES TO OPEC. ALSO CONCERNED ABOUT BEING SEEN AS DEFENDERS OF COMPANIES AND INCITING ARAB EXTREMISTS THROUGH CONFRONTATION POLICY. HOWEVER, IF MAJORITY OF ECG AGREE, GOI WILL GO ALONG ON BILATERAL BASIS.

C. CANADA: APPROVED OF DAVIGNON'S ANALYSIS AND, IN PRINCIPLE, OF "SELECTIVE" BILATERAL APPROACH. ("IN PRINCIPLE" QUALIFICATION EMPHASIZED LATER WHEN CANADIAN REP SAID GOC WOULD HAVE TO SEE IF ANY APPROACH IT COULD MAKE WOULD BE OF ANY USE.) PLEADED UNIQUE POSITION OF CANADA AS REASON GOC MIGHT NOT ITSELF MAKE ANY APPROACHES TO PRODUCERS. ALSO CONCERNED ABOUT POTENTIAL CONFRONTATION POLITICS EFFECT IN UNIFYING OPEC MEMBERS, AT TIME WHEN "CRACKS" BEGINNING TO APPEAR IN PRODUCER FRONT.

D. THE NETHERLANDS: REFERRING TO EMBARGO, DUTCH REP STATED THAT THE HAGUE PREFERRED COMMON EUROPEAN COMMUNITY DEMARCHE PARALLELED BY COMMON ECG DEMARCHE BY THOSE ECG COUNTRIES NOT MEMBER OF EC.

E. DENMARK: SUPPORTED PROPOSAL FOR INDEPENDENT BUT COORDINATED BILATERAL APPROACHES.

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4. IRELAND, NORWAY, FRG, AND JAPAN ALL EXPRESSED CONCERN FOR POTENTIALLY HARMFUL EFFECTS OF POSSIBLE OPEC ACTION ON TAXES ON JUNE 15, EXPRESSED UNCERTAINTY ABOUT EFFECTS OF APPROACHES AND RAISED QUESTION ABOUT TIMEING AND MANNER OF APPROACHES, LACK OF SOLID FACTUAL INFORMATION (IRISH) AND EXPERIENCE. FRG APPEARED TO SPEAK FOR THESE, AND EVEN SOME IN FIRST GROUP, WITH SUGGESTION THAT IT MIGHT BE BETTER FOR ECG COUNTRIES TO HOLD OFF THEIR MAKING CONTACT ON THIS ISSUE UNTIL REPORT AVAILABLE OF USG TALKS WITH SAUDI ARABIANS. INTERNAL GOJ INDECISION REPORTED TOKYO 7370 CLEARLY EVIDENT IN NUMEROUS, NON-COMMITAL COMMENTS BY JAPANESE REP, WHICH INCLUDED SUPPORT FOR UNIFIED PRODUCER PRICING OF EQUITY AND PARTICIPATION CRUDE PROVIDED NOT DONE SO AS TO INCREASE PRICE TO CONSUMER.

5. DAVIGNON THEN REVIEWED SITUATION AND HIS PROPOSAL IN LIGHT OF COMMENTS JUST MADE. FIRST HE POINTED OUT EMPHATICALLY THAT PROPOSAL WAS NOT INTENDED INITIATE JOINT CONSUMER-PRODUCER DIALOGUE AND THAT APPROACHES SHOULD BE DEvised IN WAY TO PREVENT THIS. SECOND, ECG MEMBERS FACED WITH SIMPLE CHOICE, DO SOMETHING OR DO NOTHING. IF LATTER OPTION CHOSEN, ECG ITSELF ON JUNE 17 MAY BE FACED WITH FORMAL OPEC DECISION TO RAISE TAXES, TO WHICH IT COULD ONLY REACT AFTER THE FACT, WITH GREATER DANGER OF "CONFRONTATION". THIRDLY, DAVIGNON'S PROPOSAL WAS SIMPLY EFFORT TO ENCOURAGE NORMAL BILATERAL DIPLOMATIC EXCHANGES ON MATTER OF IMPORTANCE TO ECG MEMBERS.

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INFO OCT-01 EUR-25 EA-11 ISO-00 SSO-00 NSCE-00 USIE-00

INRE-00 PA-04 PRS-01 AEC-11 AID-20 CEA-02 CIAE-00

CIEP-02 COME-00 DODE-00 FPC-01 H-03 INR-10 INT-08

L-03 NSAE-00 NSC-07 OMB-01 PM-07 RSC-01 SAM-01 SCI-06

SP-03 SS-20 STR-08 TRSE-00 ARA-16 DRC-01 FEA-02 /186 W

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O P 061708Z JUN 74

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TO SECSTATE WASHDC IMMEDIATE 1014

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6. TO COUNTER FEARS OF CONFRONTATION, DAVIGNON NOTED THAT EACH COUNTRY COULD APPROACH THE PRODUCER OR PRODUCERS WITH WHICH IT HAD THE MOST IMPORTANT SUPPLY RELATIONSHIPS, EXPRESS ITS CONCERN OVER RECENT REPORTS THAT OPEC WAS CONSIDERING A CHANGE IN TAX POLICY, AND POINT OUT (IN TERMS OF ITS PARTICULAR SITUATION) THAT THE BASIC ASSUMPTION OF THE OPEC PROPOSAL REGARDING THE EFFECT ON PRICES TO CONSUMERS WAS INACCURATE. EACH ECG MEMBER SHOULD DECIDE FOR ITSELF WHICH PRODUCERS  
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TO APPROACH. HE EMPHASIZED THAT PURPOSE OF THESE APPROACHES OR DEMARCHES WAS LIMITED AND CLEARCUT--EACH CONSUMING COUNTRY'S NATURAL CONCERN THAT RUMORED INCREASE IN TAXES WOULD CAUSE FURTHER INCREASES IN MARKET PRICES OF OIL, WITH GRAVE ECONOMIC/MONETARY CONSEQUENCES.

7. FURTHER DISCUSSION RESULTED IN SUGGESTIONS, LED BY JAPANESE, THAT U.S.-SAUDI TALKS THIS WEEK ACT AS FORM OF TRIGGER BY OTHERS, IF SAUDI REACTION FAVORABLE OR AT LEAST ENCOURAGING. CHARGE STATED THAT WE WOULD NOT WISH OUR APPROACH TO SAUDIS TO DISCOURAGE OTHERS FROM MAKING APPROACHES AT SAME TIME. DAVIGNON PROVIDED REMINDER ON NATURE OF COOPERATIVE ACTION: SOME MEMBERS OF GROUP COULD NOT HANG BACK AND WAIT UNTIL OTHERS TESTED THE WATER FIRST. DAVIGNON URGED THAT ECG MEMBERS NOT DELAY THEIR APPROACHES TO SELECTED OPEC COUNTRIES.

8. EC CONSIDERATION OF JOINT EC APPROACH TO OPEC WAS BRIEFLY DISCUSSED. DAVIGNON SAID IT WOULD COME UP AT JUNE 6 EC PERM REPS MEETING BUT HE DOUBTED IT WOULD BE ACCEPTED AS IT WAS "A LITTLE TOO SOLEMN" FOR THE PRESENT CIRCUMSTANCES. COMMENTS BY OTHERS PRESENT SUPPORTED DAVIGNON'S READING OF SITUATION IN EC.

O. UK AND OTHERS POINTED OUT THAT OPEC MINISTERS WILL BE DEPARTING FOR QUITO JUNE 11 OR 12TH AND THAT, THEREFORE, ACTION MUST BE INITIATED QUICKLY. AGREEMENT REACHED THAT SAME GROUP WOULD RECONVENE AS SOON AS FEASIBLE, PREFERABLY MORNING OF JUNE 10 TO CONSIDER IMPLICATIONS OF US-SAUDI TALKS, RESULTS OF WHICH SHOULD BY THEN BE KNOWN.

10. COMMENT: AT JUNE 5 MEETING OF ECG REPS ALL CLEARLY OF SAME VIEW IN RESPECT TO OPPOSITION TO PROPOSED OPEC TAX DECISION, NATURE OF RETAIL PETROLEUM PRICE STRUCTURE,

AND POTENTIALLY SERIOUS IMPLICATIONS OF MAJOR NEW PRICE RISE AT THIS TIME. HOWEVER, MANY WERE UNDECIDED OR NOT YET INSTRUCTED AS TO THEIR POSITION ON DAVIGNON'S PROPOSAL FOR IMMEDIATE SELECTED BILATERAL APPROACHES BY ECG COUNTRIES TO OPEC MEMBERS. BELGIANS AND UK FIRMEST AND ANNOUNCED INTENTION BEGIN AT ONCE. OTHERS AGREED, AT CONFIDENTIAL

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LEAST IN PRINCIPLE, BUT LIKELY TO MOVE MORE SLOWLY. IDEA THAT ECG MEMBERS SHOULD AWAIT OUTCOME OF US-SAUDI TALKS TO BE HELD IN WASHINGTON IN NEXT FEW DAYS WAS RESISTED BY DAVIGNON, UK, AND U.S., BUT FOUND CONSIDERABLE APPROVAL. UNDECIDED COUNTRIES WILL PROBABLY BE INFLUENCED BY OUTCOME THESE TALKS, ESPECIALLY SAUDI REACTION AND VIEWS.

11. ACTION REQUESTED: IN RESPONSE TO DIRECT REQUEST FROM DAVIGNON, WE WOULD APPRECIATE DEPARTMENT SENDING US AS SOON AS POSSIBLE REPORT ON TALKS WITH SAUDI ARABIAN REPS IN WASHINGTON FOR DISCUSSION WITH ECG GROUP. REPORT NEEDED BY OPENING OF BUSINESS JUNE 10 AS LOCAL MEETING TENTATIVELY SCHEDULED FOR 11:00 A.M. LOCAL.

WE WOULD ALSO APPRECIATE ANY ADDITIONAL GUIDANCE AFTER SAUDI TALKS ON U.S. INTENTIONS RE APPROACHING OTHER PRODUCERS AND DISIRABILITY OF ACTION BY OTHER ECG MEMBERS WHICH COULD BE CONVEYED AT THAT TIME. BOOCHEVER

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## Message Attributes

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